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ABSTRACT

Based on a mail survey of over 100 rural school administrators in 34 states, this handbook outlines common problems and successful strategies in the financial management of rural, small school districts. Major problems are related to revenue and cash flow, increasing expenditures, providing quality education programs, and staffing to handle the responsibilities of fiscal management. Education funding is especially vulnerable to state politics, and many financial problems of rural school districts stem from state-aid funding formulas that favor larger urban districts. Some of the most crucial budgetary concerns are rising labor costs, the cost of new technology, and additional curricular mandates from state and federal governments. Successful strategies are listed for dealing with budget concerns and making the funding formula work, and specific examples are described. In particular, the 4-day school week provides some unique solutions to the financial and instructional problems of rural districts. Recommendations are also listed for personnel management, interdistrict cooperation, communication, and "do not do's." Also discussed are the future outlook for rural equity issues, rural school improvement programs, the role of rural education in community development, and educational cooperation. This booklet contains 40 references. Appendices provide brief annotated bibliographies on budgeting, general rural education sources, and recent relevant ERIC/CRESS digests. (SV)

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Managing Smallness

Promising Fiscal Practices for Rural School District Administrators

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Promising Fiscal Practices for Rural School District Administrators

by
Deborah Inman Freitas

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Clearinghouse on Rural Education and Small Schools

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FOREWORD
ON COLLABORATION

I'm one of those people who prefers to talk and write about schooling—as opposed to education. Of course, I realize that "education" is the big picture, the totality of meaningful experiences, including (one hopes) one's schooling. And there's the rub: In education lies hope, whereas the problems of schooling (one hears too often) are legion. The means of education are potentially without limit, but the means of schooling are really quite limited. That's the subject of this handbook: *managing the limited means of schooling* in rural areas for best effect.

The Heart of Collaboration

None of us can really oversee the education—in the sense of lifelong learning—of anyone else. The point of schooling ought to be to help students oversee their own educations. An old thought, but it's a tall order, and we inevitably come up short, even in the best of circumstances.

The big picture (education) and the more limited one (schooling), however, have in common a method: collaboration, literally "working together." If people in schools don't work together (with the emphasis on *labor*), students see only a dark mirror, in place of the open window that "education" should be. At the heart of collaboration, however, is the joint labor of students and teachers. This theme comes through in this handbook. *Good financial management supports good teaching and real learning.*

Collaboration on this Handbook

This handbook, itself, is the result of a fortuitous collaboration between the American Association of School Administrators (AASA), the Office of Educational Research and Improvement (OERI, ERIC Branch), and the ERIC Clearinghouse on Rural Education and Small Schools (ERIC/CRESS). It all came about this way, not quite by chance: In October of 1989, OERI sponsored a symposium in Washington, D.C., for directors of three ERIC clearinghouses and people working in the clearinghouses' areas of interest. The symposium featured conversations about issues of mutual concern and about

related topics for possible publications.

Walt Turner, at the time deputy executive director of AASA (now recently retired), attended the symposium, and he and I talked afterward. He suggested the topic of this handbook, and I subsequently presented it as an option to the Clearinghouse Advisory Board members. They rated the topic as the most important among 30 options.

Followup conversations with rural education experts led me to the author, Deborah Inman-Freitas, who—without hesitation—accepted the challenge of developing the handbook. But she wanted the document to be something practical, something that administrators in rural, small school districts would find accessible and helpful. Her sense of this challenge led her to approach AASA to sponsor a survey of administrators (superintendents and business managers) in rural, small districts to discover *from them* what concerned them most about financial management and to discover from them "what worked." What she discovered was to become the substance of the handbook.

At that point, we all began to labor together, digging out resources, discussing alternatives for the survey, and designing the format of the handbook; AASA swung immediately into action to conduct the survey from which Dr. Inman-Freitas fashioned this text. After analyzing the results, Deborah wrote the rough draft, and AASA reviewers and I provided formative comments. The revised draft was reviewed by Jim Fox at OERI, and he, too, provided comments that helped shape the final draft. Carolyn Luzader, graphic art assistant at the Clearinghouse, prepared camera-ready copy from which AASA produced the printed copies.

Getting Lucky

We got lucky. Everything on this project went smoothly; I'm not sure why, but I have a simple hunch. All of us who were involved saw a need and were ready and able to do more than just talk. We shared resources and ideas; divided up tasks in a way that, in retrospect, just seemed natural; and set to work on that basis.

So this collaboration *was* "fortuitous." But our good luck involves chance only up to the point that we were able to acknowledge our commonalities. To be honest, I think we owe a debt of thanks (1) to OERI for putting on the symposium where it was possible to acknowledge commonalities and (2) Clearinghouse Advisory Board members for providing "empirical confirmation."

Now, this collaboration (on a mere document) is much less chal-

lenging than the sorts of collaborative ventures in which administrators in rural, small districts must get lucky. Take a look at the list of "Do Not Do's" (Table 5), for imbedded "philosophical" views of luck from such people. Several administrators in rural, small districts who responded to the AASA survey put the issue succinctly:

> **Do not be overwhelmed.** Sure, the problems are great, but solutions are always available (even if they are not always the ones we thought we wanted).
>
> **Do not fail to invite the public to participate in your school.** Pay particular attention to the involvement of your critics. They often have valuable assistance to offer. Most people are willing to help when asked. Do not fail to ask.

The jobs people do in schools are among the most difficult anywhere, and providing management and leadership in that context may be the most difficult job of all. This handbook recognizes that fact. Those of us involved in its preparation feel privileged to bring it to you.

Craig Howley, codirector, ERIC/CRESS

PREFACE

Good financial management in rural, small school districts has always been a difficult and complex task. But providing adequate programs in rural schools today may be more challenging than it has been in recent memory, because of the variety of influences now affecting the finances of rural districts. Some of these influences are *specific to rural areas* (such as the declining economic fortunes of many rural counties), but others (such as the need for adequate funding of newly mandated reforms) *affect all districts* in a given state, whether rural or urban, though perhaps to differing degrees.

The primary purpose of this handbook is to share practitioners' concerns about, problems with, and (most importantly) their successful strategies for the financial management of rural, small school districts. Since administrators in the field are the ones who can speak most directly to this issue, and with the most intimate knowledge of the realities of practice, *this handbook provides information from them and for them.*

The knowledge represented here comes from a survey of superintendents and business managers conducted by the author in cooperation with the small schools program of the American Association of School Administrators. Respondents represent all regions of the country, but they do not constitute a statistically representative national sample. The purpose of the survey was more practical: to gather a range of information that would be useful to share with similarly situated practitioners. Please regard the handbook as a guide to some common problems and workable solutions to those problems, not as the report of a comprehensive, academic study.

Chapter 1 is an introduction to the handbook, and it presents a brief overview of rural education, generally. The chapter, while not a thorough review, attempts to set a context for the more detailed information presented in subsequent chapters.

Chapter 2 presents the major problems about the fiscal management of rural, small school districts, as reported by respondents to the study. Problems are classified by four categories: (1) revenue, (2) expenditure, (3) education programs, and (4) general problems. The

chapter concludes with examples of specific problems from selected rural districts.

Chapter 3 discusses the influence of state politics, including state school finance formulas, on the management of rural, small school districts. Strategies developed by rural school administrators that help to make their states' school finance formula work more effectively for their districts are also presented. The chapter concludes with specific examples of political problems faced by rural districts.

Chapter 4 identifies the most crucial budgetary concerns of rural administrators and presents effective strategies that have been developed to deal with those concerns. The chapter concludes with specific examples of effective strategies developed by rural, small districts.

Chapter 5 presents a discussion of successful programs developed by districts to reduce costs. In particular, it reports information about implementations of the four-day week.

Chapter 6 provides recommendations about the most important aspects of the financial management of rural schools. First, general recommendations are presented, followed by recommendations by categories including: budgeting, personnel management, collaboration, and communication. The chapter concludes with a foldout table of the primary "Do Not Do's" regarding the fiscal management of rural schools. The list, by the way, contains some good-natured, positive advice about coping with the inevitable dilemmas of financial management in rural, small districts!

Chapter 7 examines current issues in rural education to see what the future may hold for rural schools. The issues presented are: rural school funding, programs to promote equity and quality in rural schools, rural education and community development, and cooperative options for rural schools.

The handbook also includes three appendices, which contain annotated bibliographies of (1) selected resources about budgeting; (2) selected resources about rural schools, generally; and (3) recent ERIC/CRESS Digests relevant to issues treated in the handbook.

CHAPTER 1

Rural, Small School Districts: A Brief Overview

According to one definition, approximately 57 percent of the nation's *public school districts* are rural, small districts. They enroll approximately 20 percent of the student population nationwide. In this definition, a rural, small school district "is one that enrolls fewer than 2500 students and is located approximately 25 miles or more outside an urban center having a population of 50,000 or more" (Stephens, 1991, p. 3).

According to another source, those states with the largest proportion of *students* in rural schools are, in descending order, South Dakota (52%), North Dakota (51.6%), and West Virginia (43.8%). In addition, Montana, Vermont, Nebraska, Delaware, Arkansas, Iowa, Kentucky, Arizona, Minnesota, Mississippi, and Idaho all have 30 percent or more of their students in rural schools (Johnson, 1989). Whatever definition is used, however, the main points are clear. First, a majority of the *school districts* in the United States are rural and small. Second, a sizable minority of *students* are served by rural, small districts across the nation.

Characteristics of Rural Districts

Geographic isolation and small enrollments are characteristics typical of rural education within states. If each state is regarded as having its own norms (for isolation and small size), rural schools and districts obviously tend to serve smaller numbers of students separated by greater distances from one another than are schools in urban areas of the same state. In some cases, rough terrain reinforces the isolation imposed by sheer distance. These dimensions of terrain and

scale, in a profound sense, reflect the underlying idea of "rural," as the definition quoted above indicates.

In addition, distinctive cultural, social, economic, and historical characteristics multiply the diversity of rural—as compared to urban or suburban—schools and districts. It might, for example, be argued that rural schools and districts are more influenced by the economic and cultural outlooks of their communities than other schools. For one thing, isolation and small size can serve to bind communities more tightly to their schools. For another thing, because rural areas differ so widely in terms of geography and economic features (Spears, Oliver, & Maes, 1990), they make up an inevitably more diverse group than other districts.

Such characteristics as these not only set rural schools apart from other schools, but they also contribute to the diversity within rural school districts as a group. For example, ethnographic research (e.g., DeYoung, 1991) suggests that the character of rural schools not only responds to local circumstances, but can serve to reinforce them as well. On the positive side, rural schools can embody pride in rural values, including discipline and hard work. On the negative side, they can contribute to the reproduction of local inequities.

In general, however, many observers have noted that rural schools often serve as more than just locations of classrooms. They are, in many ways, social and cultural centers of small town and rural life (Stephens, 1988). Sports events, music and drama productions, community suppers, and town meetings often take place in rural schools.

Organizational Models

While it is the responsibility of each state to provide an equal education for all students, and while each state has the authority to mandate education policy, each state does not have sole responsibility for funding those programs. States share substantial funding responsibility with local districts. Readers must, therefore, understand the diversity of local school district organizational models used in the different states.

Stephens (1991) describes seven basic types of school districts, in three categories. The first category, *geographic area*, includes (1) county school districts, (2) township or town school districts, (3) common school districts, and (4) a single state school system (the model used in Hawaii). The second category, *scope of educational program*, includes (5)

elementary or high school districts and (6) nonoperating school districts. The third category, *operational relationships*, includes (7) fiscally independent or dependent school districts. The three categories are not mutually exclusive. County districts, for example, may be fiscally independent or fiscally dependent (with budgets in the latter case typically being authorized by county government).

Such diversity affects fiscal management in the various states. For example, the Northeast has township models of school organization, the South has county districts, and in the West and Midwest independent districts predominate. Additionally, kindergarten through eighth grade (K-8) and high school districts are common in many states. Moreover, affluent rural districts that can encourage a high level of financial support do exist, although many rural school districts are low-wealth districts with limited means of generating financial resources.

The Challenge of Providing Adequate Programs

Schools in rural areas are capable of contributing to the continued growth and development of their communities (Shaffer & Summers, 1988). Unfortunately, providing adequate programs in rural schools has become increasingly difficult due to (1) the declining economies of rural areas across the nation and (2) implementing mandated, but inadequately funded, education programs (Brizius, Foster, & Patton, 1988; Honeyman, Thompson, & Wood, 1989; Lyson, 1989; Stephens, 1991). In addition, rural unemployment rates were considerably higher than metropolitan areas (O'Hare, 1988). Higher poverty rates in rural areas combined with lower personal income of residents cause great disparity among rural and urban counties (Howley & Huang, 1991). Since the early 1980s, these economic problems have placed additional fiscal pressures on rural governments in their attempts to provide basic public services, and educational programs in rural schools were affected (e.g., Monk, Strike, & Stutz, 1981). The burden of providing adequate educational programs was further increased by state-mandated programs to improve education (Haller & Monk, 1988; Murphy, 1990). So the fiscal management of rural school districts has been overburdened by the combination of steadily declining local tax dollars to support education and inadequately funded mandates requiring new programs that increase the expectations placed on school district operating budgets.

The fiscal management of a rural district is a balancing act, given

the ever-expanding demands of society and the inherent local limits on necessary resources, especially in small, poor, rural districts. Financial management involves constantly trying to justify expenditures to the general public. Because fewer rural than urban citizens have college degrees, and because many rural people resent the tendency of their best-educated youth to migrate to cities in search of work (cf. Pollard, O'Hare, & Berg, 1990), the value placed on formal education is not so high as it would be in more "cosmopolitan" communities. Given the commitment to provide the needs of the youth, it seems to be a constant uphill battle to gain that support (e.g., Coe & Kannapel, 1991). Economies of (large) scale are not accessible in rural, small districts, and, when trying to provide a "traditional" comprehensive education, attempts to achieve similar financial efficiencies in other ways can shift costs out of the budget and onto students and families (Monk, 1991).

The demands that are placed on public education by state legislatures sometimes overlook the unique circumstances of small, rural districts as reform legislation and funding formulas are created.[1] As a result, the expectations for reform may not be reasonable in many rural, small districts. And although rural districts may be isolated geographically from the state capitol, they are not isolated from state politics and policies. Therefore, many rural, small districts struggle to comply with state expectations and the regulations that implement them.

Needless to say, in this context the financial management of rural schools is difficult and complex. In the past, problems faced by rural school administrators have been overlooked by state policymakers. Recently, however, some of these concerns have been recognized and efforts to resolve them are being considered at the state level. These efforts will take considerable time, and it will be difficult, if not impossible, to resolve all legitimate concerns. Providing adequate programs in rural, small districts will remain a challenging task.

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[1]The latter tendency appears to be changing, however, according to Verstegen (1991). According to her report, 30 states make some provision in their formulas for small size, population sparsity, or geographic isolation. The adequacy of such adjustments will doubtless elicit further study.

Issues Treated in This Handbook

In light of this continuing challenge, the purpose of this handbook is to provide information about effective financial management in rural, small school districts. As noted previously, the information presented here comes directly from practicing administrators. Issues presented include:

- major problems regarding the fiscal management of rural schools, impact of state politics,
- strategies developed to get the most from the state school finance formula, most crucial budgetary concerns,
- strategies developed to deal with these budgetary concerns, and
- recommendations regarding the most important aspects of fiscal management.

In an effort to obtain information directly from superintendents and school business managers in the field, a survey was developed and then mailed nationwide to a geographically diverse sample of administrators in rural school districts. Over 100 respondents from 34 states provided the basis for much of the information provided herein.

Although the responses may not be representative of all rural school districts, these reports are important because they are illustrative views of real-life people engaging in real-life issues. Their primary function is to share practitioners' problems, concerns, and successful strategies regarding the financial management of rural, small school districts. Again, keep in mind the fact that such districts constitute the *majority* of public school districts in the United States.

CHAPTER 2

The Major Problems Regarding the Financial Management of Rural School Districts

The previous chapter highlighted a range of features that characterizes the financial context in which rural, small school districts operate. There, the information was drawn from published research reports. In this and subsequent chapters, the information is drawn directly from the reports of practicing administrators. Nonetheless, the problems described in the chapters that follow are in broad accord with the published findings of research reports.

The most obvious problem regarding the financial management of rural school districts is finding the funds to be able to accomplish the task of educating students well. As schools struggle through this era of "restructuring," they face new dollar demands for study, inservice, and experimentation. Larger districts find it easier than many small districts to access corporate support and grants—resources that are more difficult to access in rural, small districts. Another fiscal dilemma small districts face is how to stretch dollars to be able to offer full and rich programs for their students. This difficulty is, perhaps, most evident at the secondary level, where unusual solutions are constantly being sought in order to make it possible to offer certain courses. Additional concerns include increasing special education costs, transportation costs, building maintenance, and spiraling health insurance costs.

A primary concern of administrators in rural, small districts is the lack of advance knowledge of the actual amount of money they will receive before having to prepare school district budgets. For example, many districts do not know the assessed valuation of the district until May. Very often, state aid is not finalized until June 30, and sometimes as late as November 15 (if the governor does not accept the appropriation approved by the general assembly). So districts often have to file

their budgets before they really know what the available resources will actually be. Also, legislation and union requirements for spending are often announced after budgets and levies have been made.

According to respondents, many rural, small districts are finding that more financial demands have been placed on decreasing pools of money. For example, changes in the school finance law in some states have decreased the amount of monies available to operate schools, while at the same time, teacher-negotiated contracts, minimum standards, and the needs of special interest groups continue to demand more money. In this climate, *not knowing* what funding will be from one year to another is a *grave problem*. Meeting new expectations without adequate increases in state aid, and remaining competitive with teacher salaries while simultaneously receiving less than cost-of-living increases in state aid, are sources of constant stress for administrators of rural, small districts.

The fiscal management of rural schools is complex. Some of the major problems regarding the fiscal management of rural schools is presented next.

The major problems regarding the fiscal management of rural school districts can be classified into four categories: (1) revenues, (2) expenditures, (3) educational programs, and (4) general.

Revenue

One of the biggest problems regarding revenue is cash flow. Several factors contribute to the problems of cash flow. The two most prominent are (1) the receipt of 30 percent of state aid after the end of the fiscal year and (2) delayed taxes. This deferral of revenue often causes districts to have to borrow money in order to operate until they do receive their funds. The late approval of the state budget is another problem for many districts.

When the state budget is two to three months late, school districts do not know just what their state revenues will be, and adjustments often have to be made in their school budgets as a result. A list of revenue problems reported by respondents follows:

Revenue Problems

- cash flow,
- delayed taxes,
- receiving 30% of state aid after the end of the fiscal year,

- uncertainty of state budget,
- late approval of state budget,
- per-pupil inequity in both state aid and levy revenues,
- decreased assessed valuation of districts' property resulting in fewer local tax dollars,
- inadequate state funding formula, and
- operating on borrowed money.

Expenditures

The major problem regarding expenditures, of course, is making certain that total expenditures do not exceed total revenues. This oversight becomes extremely difficult when several expenditure categories increase significantly from year to year. For example, escalating special education costs and spiraling health insurance costs have, according to respondents, caused great concern for rural, small districts. The increased special education costs combined with a decrease in federal commitment for special education (from a commitment of 40% in the late 1970s to the 8% current funding level) has caused great strain on rural, small school district budgets. Health insurance costs, moreover, are rising at a rate of 15 to 30 percent per year, according to respondents. New expenses, such as paying costs for pensions and Social Security—where new laws shift these costs from the state to the local districts—have added unexpected expenses in some rural, small school districts. The primary problem, then, is that for most districts, expenditures are increasing 10 to 12 percent annually while revenues are increasing only 2 to 4 percent annually. A list of expenditure problems follows:

Expenditure Problems

- costly nonfunded, state-mandated education programs;
- cost of deferred maintenance;
- increases in utilities;
- increases in benefits;
- escalating special education costs;
- spiraling health insurance costs;

- capital outlay expenditures;
- rising labor costs;
- cost of new technology;
- building and grounds maintenance;
- rising fuel and oil costs;
- overcrowded facilities and no building funds;
- expenditures increasing 10-12% annually with revenues increasing only 2-4%;
- rising transportation costs;
- reduction of federal funds for special education from 40% to only 8%;
- costs of meeting safety codes;
- increasing costs of all special students, including handicapped, gifted, and at-risk students; and
- paying costs for pensions and Social Security where new laws shift these from the state to the local districts.

Education Programs

Serious as these problems are, the most critical problems regarding the financial management of rural school districts directly affect educational programming. For example, the difficulty of providing modern technology in regular programs for students, the use of outdated textbooks, the use of outdated vocational equipment, and the lack of competitive teacher salaries all result from inadequate funding for rural, small school districts. Inadequate revenues make it virtually impossible for many rural, small districts to supply the curricular inputs commonly associated with quality educational programs today. Although research is inconclusive about the effect of financial inputs on student achievement (e.g., Hanushek, 1989), it is nonetheless difficult to justify the delivery of substandard programs to 20 percent of the nation's students.

General Problems

The major problem in this category is staffing to handle the responsibilities of fiscal management. In most rural, small districts, a small

number of administrators take on all administrative responsibilities, including both fiscal and program management for the entire district. Very few rural districts, for example, have a business manager. Most rural, small districts have a superintendent who has many functions, from transportation to federal programs, from food service to custodial service, and from discipline to teacher supervision. In many rural, small districts, the superintendent is also the school bookkeeper, school accountant, and school business manager. In such cases, handling routine financial data consumes a great deal of time and talent, leaving the superintendent very little time to analyze, classify, verify, and interpret all transactions.

And, in some rural, small districts, the positions of district administrator and principal are combined to save more money. This single position demands time spent on policymaking, long-range planning for curriculum development, inservice programs, building-safety needs, and on and on. In these instances, the incumbent has enough problems doing the dual administrator's workload. This person does not have the time to pay adequate attention to the everyday business management duties. Respondents report that, in such cases, they certainly do not have time to respond to requirements by most states to complete numerous detailed reports carefully.

Another general problem is that most school board members in rural areas are not familiar with budgets of the magnitude of a school budget. As many observers have noted, the school district in many rural areas is the largest employer (e.g., Sederberg, 1987). As a result, board members often look at the total budget figures as simply a lot of money that, to them, appears to be more than needed for education.

Examples of Problems in Specific Rural Districts

This section of the chapter presents a few examples from rural districts to illustrate in greater detail the major problems summarized above. Again, readers are cautioned that these details constitute the self-reports of survey respondents.

District A (rural district in Arkansas). District A suffers from adjustments made in finance after a statewide reassessment in 1986. At that time Amendment 59 required a rollback in millage rate. The district sought advice from the state department of education to determine the amount of increase in millage that would be required to continue to operate the district in an efficient manner. The proposed millage rate was approved, but it fell far short of the need. A second attempt to

provide adequate funding was also passed at the polls, but, again, it was far short of the need. The Board was unwilling to again go to the voters with inaccurate information and dete. mined to make the best of a bad situation. This district began operating on borrowed money to try to keep the budget balanced. This year they passed a millage rate sufficient to operate. However, they will not receive the impact of that millage for another year. In the interim they must borrow again. Money that could better be used to educate boys and girls is, therefore, being obligated for interest payments.

District B (rural district in Illinois). This district experienced declining assessed valuation, due primarily to a change in state law that determines the value of farm land. Valuation was changed from one-third of market value to a formula based upon productivity. Many of the Illinois small school districts are located in downstate Illinois. The principal source of funding for schools is the property tax. The state share of funding Illinois schools has decreased from 46 percent to 37 percent or lower. Voter approval is needed to increase local tax money, and the citizens are opposed to property tax as a method for funding schools.

District C (rural district in Iowa). After deducting teacher salaries and fixed costs for plant operation and maintenance from the budget, few actual dollars remain for supporting instructional programs. Without grants and donations, future improvements or new programs are critically overlooked or postponed beyond reasonable dates. New mandates without financial support are driving their budget into deficit spending. Administrators hope that the passage of an instructional support levy will assist the district with these mandates.

District D (rural district in Iowa). Money flow is the biggest problem. They have to borrow money in August, September, February, and March because property taxes are paid in October and April. Property tax receipts make up over half their revenue.

District E (rural district in Missouri). Local revenues, most of which revolve around real property tax receipts, have declined significantly due to a statewide farm land reassessment law. The district's local property wealth decreased nearly 30 percent over the past six to eight

years. In addition, the lateness in property tax collections and distributions has caused even greater strain on cash-flow needs. Traditionally, the real estate tax dollars have been three to four months late in terms of what should be the state distribution cycle. The equalizing formula at the state level, while increasing state support over the past six to eight years, has not made up for the decline in local tax dollars. These problems have caused local property tax rates to increase, where there has been that flexibility, and caused districts to seek voter approval for increased taxing authority. But the state financial support level has not even kept pace with inflation. In fact, during two recent fiscal years, state spending for elementary and secondary education actually decreased from the prior year. State support for education has decreased from approximately 48 percent to 38 percent over the past eight to 10 years. That kind of decline, combined with the increasing reliance on local property taxes, has caused greater inequity among school districts in terms of their ability to support educational programs. Further, during two of the last six to eight years, state spending for education decreased *during the fiscal year*, causing great strain in budgets that had already been approved.

District F (rural district in Michigan). Since this district relies on property taxes for 99 percent of its income, the assessment appeal process makes final projections very difficult. The revenue projections come in late spring, in time for budget building, but the appeal process runs until November. This year the district lost about 0.1 percent (or $500,000) in taxable valuation. That figure is only $10,000 in actual property tax revenue, but when budgets are already tight, it is hard to make up a cut of this nature. Loss of income when other taxing units use tax reductions as incentives to industrial expansion is another problem. If the schools oppose, it looks like they are not supportive of community growth, but when the losses for a period of eight to 15 years accumulate, it becomes obvious that the ability of the school system to operate on today's millage is severely hampered. Perhaps the most critical issue is staff and their feelings about any surplus funds the district is able to acquire for future stability. It seems that the unions feel they have an immediate right to any funds classified as "fund equity," in disregard of the need for long-term planning and the willingness of the local taxpayer to vote more money.

District G (rural district in Texas). The district is funded 50 percent

from state and 50 percent from Impact Aid from the federal government. Long-range planning is hampered by the political funding systems at both state and federal levels. The Impact Aid payment has been reduced 10 percent per year since 1985. The state of Texas passed House Bill 72 in August 1984, which increased expenses from 1984 to 1990 an average of 50 percent. As a result, the district imposed a reduction in force of 32 employees in the 1989-90 school year. All expenses were reduced to a minimum, for an 11 percent reduction in budget, equaling $672,000. Quality has been stripped from educational programs, class size has been increased to maximum, and all programs are operating at minimum funding levels. Pay raises averaged 1.5 percent, an increase that fails to cover increases in the cost of living. Per-pupil expenditure is another problem with politicians and the general public. Obviously, if a district has a small enrollment, then the cost per pupil is considerably higher than if it had a large enrollment. This is very hard to explain and justify to people in Texas who are outside of the education arena.

CHAPTER 3

The Influence of State Politics

Public education in the United States is a clearly established responsibility of the state, as defined by the United States Constitution and further supported by statutory and judicial decisions that form the legal basis of education. In most states, general reference to the educational responsibility of the state appears in the state constitution, giving the legislature specific powers to establish an adequate and uniform system of education (Alexander & Alexander, 1985). As a result, the organizational and regulatory aspects of education have become more or less a legislative responsibility (Thurston & Roe, 1957). To this end, it is inevitable that public elementary and secondary education is influenced, for both better and worse, by partisan politics at all levels of government.

Education funding is especially vulnerable to state politics, and most of the respondents to our survey indicated that state politics contributes to the problems of successful financial management in rural districts. This view, moreover, is not surprising since metropolitan legislators, in many states, hold the purse strings for all school districts. And because the large cities have more influence, the school finance formula usually favors larger school districts.[2]

The politicians at the state level naturally develop policies with a

[2]At the same time, the equity of school funding is a complex question, and it is clear that some large impoverished urban school districts have much in common in this regard with impoverished rural, small districts. Moreover, when—as in recent decades—rural districts have banded together to litigate the issue, solutions inevitably address such commonalities.

statewide perspective. Thus, when it comes to school issues, coalitions are apt to develop around rural versus urban interests, rather than along strictly partisan lines. In practical terms, this eventuality means that legislative branches with constituencies based on proportional representation of the population tend—as a result of urban concentration—to be more responsive to urban issues. As a result, a problem that may crop up in a urban school district often gets a legislative "shotgun blast." While the blast (e.g., a new state mandate) may reach the intended target, it also hits schools that do not exhibit the targeted problem, with predictable ill effects.

According to respondents, whatever the motive for new mandates, the costs of implementing them can be especially burdensome for rural districts. For example, urban and suburban schools may already have established locally funded programs for gifted students, remedial programs, and curriculum enrichment (such as advanced placement courses). Many small, rural school districts must start from scratch, however. Since the costs of expanding existing programs are less than the costs of creating new ones, many rural districts have incurred higher costs for a variety of reform-mandated programs than other districts. Expanding curriculum and limiting class sizes are also potentially costly to rural districts, since the student population base is not large enough to spread the costs among many students. In addition, the cost of special programs for remediation and for the gifted and talented are relatively high because of the lack of a critical mass of students (e.g., Brizius et al., 1988; Monk, 1988; cf. Meyer, Scott, & Strang, 1987).

Respondents reported a range of problems related to "politics"; a comprehensive list appears in Table 1.

The Funding Formula and Strategies for Making It Work

Politics also influences the receipt of state aid based on the school finance formula. Ninety-nine percent of the respondents to the survey for this study believe that state aid is inequitable to rural schools. According to the respondents, there is no equity in state formulas, and the formulas need to be changed to ensure the same amount of money for every child in the state regardless of where the student lives. The respondents assert that there is not enough allowance for small, rural schools and no equity in the amount spent on students in different districts.

The problems with the equity and adequacy of state funding is clearly evidenced by the increasing number of court cases where

Table 1

Major Problems Respondents Report to Be Related to "Politics"

- Mandating costly programs without funding
- Education used as political football
- Most legislatures represented by urban rather than rural individuals
- Legislators and governors more concerned about reelection than education
- Late state budget approvals negatively impacting school district budgets
- Inequitable education funding by state
- Political agenda changing from term to term and oftentimes from year to year
- House and senate not always agreeing on budget appropriations or methods of increasing revenues (e.g., income versus sales taxes)
- Changing rules and regulations
- Pushing previous year's reimbursements into next fiscal year
- Influence of teacher unions on legislature
- Money tied to politics—thus resulting in layoffs at the whim of the state funding patterns
- State commissioner of education a political appointee
- Legislators setting priorities that often do not include funding education
- Political infighting and inability to take action on issues have negative impact on schools
- State mandates and insufficient funding
- New funding laws
- Metropolitan legislators controlling purse strings
- The legislature setting the funding formula, and the inclination of most legislators to believe that small schools are inefficient and should be consolidated
- People with political clout getting things funded; whereas others do not
- Laws that effect increases in ad valorem taxes and mandate special education programs with insufficient funds

school districts are suing the state for inequities in state school finance funding. Stephens (1991) estimates that legal challenges to existing state aid formulas are, at present, pending in 10 states.

Although most rural districts are not happy with current state funding formulas, some rural school administrators have developed strategies to make the state school finance formula work more effectively for their districts. A list of these strategies appears in Table 2.

Table 2

Strategies for Making the Funding Formula Work

- Increase average daily attendance by providing a full-day kindergarten.
- Increase student attendance rates by development of a perfect attendance incentive program.
- Budget the general fund legal limit.
- Make certain that all eligible children complete application for the free-and reduced-lunch program.
- Include home schoolers in head count—simply sponsor and monitor their program.
- Time purchases to encourage quick state turnaround in state aid.
- Access as many special programs as possible that provide additional funding sources outside the regular state aid formula.
- Lobby to influence policymakers.

Examples of the Influence of Politics on Rural School District Finance

This section presents a few examples from rural districts to illustrate in greater detail the problems related to the influence of state politics. Once again, readers need to recognize that the opinions expressed constitute the views of survey respondents.

District A (rural district in Wisconsin). Rural areas definitely are not isolated from the activities at the state capitol. In fact, this district in Wisconsin follows state activities closely. The district attempts to influence policymakers from time to time when it is critical to do so. Last year their state legislature considered a new funding formula for

building programs. The school district mounted a massive letter-writing campaign and the superintendent believes that the campaign did have some influence on the final outcome. Because of the favorable legislation, the district was able to pass a local building referendum by a two-to-one margin shortly afterward. The superintendent is positive that if action had not taken place on the state level, the district would not be in the position it is today.

District B (rural district in Illinois). Education has been used as a political football especially during election years. After the elections are over, nothing is done to help the schools financially. Additionally, the manipulation of the press in terms of the influx of extra lottery money into the schools has been hurt both by the *image that taxpayers have* of the financial state of the schools and by the *actual amount of money* that the schools receive from the general fund.

District C (rural district in Massachusetts). This district is a "pocket of poverty" and, therefore, funded by the state up to 87 percent of the total operating budget. Political games have been the means that state government uses to extract additional tax revenue from the people. For example, by changing the rules, the state now reimburses the cities and towns on a semiannual basis. The reimbursements were quarterly up until two years ago. The state also pushes last year's reimbursements into another fiscal year. Further, the state ignores certification laws on special education matters—the state requires the district to pay a private, noncertified school for services the school can provide with certified personnel.

District D (rural district in Michigan). The legislature and governor consistently name education as the number-one priority of the state, and following the elections they just as consistently work very hard at balancing the state budget to the detriment of at least part of the school systems. For many years, they have proven that they are not able to tackle education's problems on a statewide basis. Their current method of solving the financial problems facing the state is to take local funds from some of the most successful school districts in the state and give these funds to less well funded districts. This tactic is easy to implement since the "rich" (out of formula) districts make up only about one-fourth of the districts in the state; therefore, they lack the political clout to keep it from happening. Financially, it is bad

enough to have to count only on local funds to operate a school district, but when the state takes these local funds and gives them to other districts, it becomes almost impossible to continue with educational opportunities at the same level. According to this respondent, perhaps the most political aspect of the state is the power of the teachers' union. They are the most powerful union in the state and have the most political action money. Very seldom, if ever, does a statewide politician have the guts to buck the Michigan Education Association (MEA). This superintendent believes that most of the issues put forth by the MEA have little to do with improving education. Rather, the issues are concerned with job protection, improved working conditions ("fewer students and less work"), higher wages, and control. All four issues affect the financial management of the school district.

CHAPTER 4

Most Crucial Budgetary Concerns

Balancing the budget is a continuous challenge for most rural school districts. As mentioned in the previous chapter, expenditures are increasing 10 to 12 percent annually, while revenues increase from 2 to 4 percent annually. Although Chapter 2 presented the major problems confronted in the financial management of rural schools—including revenues and expenditures—the purpose of this chapter is to raise the most crucial budgetary concerns faced by rural districts and then to present *successful strategies* reported by practitioners in rural districts to deal with these concerns. (This chapter does not present basic budgetary principles, but Appendix A is an annotated bibliography of selected articles and books about budgeting.)

Some of the most crucial budgetary concerns are rising labor costs, the cost of new technology needed to prepare students for the 21st century, and demands from the state to add to the curriculum. Every time there is a social problem—substance abuse, teenage pregnancy, or AIDS, for example—the response of many educators and policymakers is to institute additional educational programs. Following this tendency not only takes more staff and money, but it allows less time for academic instruction.

Abiding concerns among most respondents include cash flow without anticipation and having to file a realistic budget without access to necessary data (for example, before the teachers' contract is signed, before assessed valuation is known, and before prorations and funding levels are known).

Budgetary concerns that vary among respondents are (1) state and federal mandates for which there are no accompanying funds;

(2) lack of flexibility with the funds on hand; (3) lack of adequate facilities and capital outlay funds; (4) inability to take advantage of technological advances because of initial costs; (5) transportation costs, including rising gasoline costs; (6) spiraling costs attributed to employee salaries; (7) rising costs of health care; and (8) the real need for staff development opportunities at a time of diminishing resources.

The lack of funds to pay competitive salaries and to offer the diversified curriculum of which students are so deserving is a continuous problem. Most rural districts do not have access to firms large enough to serve as a substantive funding partner to support educational programs. Therefore, they must rely on local and state funds in order to meet their general fund obligations.

The lack of federal funding for special education is another problem with budgetary impact. At the present time, the federal government is funding about eight percent of a mandate for which it had promised 40 percent in the late 1970s.

Table 3 contains a comprehensive list of budgetary concerns reported by respondents.

Strategies Developed to Deal with Budget Concerns

Many districts have developed a variety of strategies to counteract some of the critical budgetary concerns. Some of the most widely used strategies reported by respondents appear below:

- Seek bids and comparison pricing for all purchases.
- Apply for all available state and federal grants.
- Develop partnerships with local organizations for funding educational materials.
- Use local personnel for the provision of services.
- Cooperate with other school districts in the use of specialized personnel, materials, and other resources.

Other strategies concerning staff include working around salary issues; utilizing early retirement; using time management techniques; involving staff in budget and facilities planning; and utilizing limited-experience teachers, teacher-administrators, and volunteers. Other

Table 3

Most Crucial Budgetary Concerns

Revenue

- Cash flow
- Fluctuating enrollments (which affect state funding)
- Delayed taxes
- Receiving 30% of state aid after the end of the fiscal year
- Operating on borrowed money
- Decreased assessed valuations of districts' property resulting in fewer tax dollars
- Expenditures increasing 10-12% annually with revenues increasing only 2-4%

Expenditure

- Rising labor costs
- Costs of new technology
- Costly nonfunded state education mandates
- Spiraling increases in health benefit costs
- Capital outlay expenditures
- Escalating special education costs
- Rising fuel and oil costs
- Rising maintenance costs
- Overcrowded facilities—no building funds
- Increasing transportation costs
- Building and grounds maintenance
- Increasing costs of serving all special students, including handicapped, gifted, and at-risk students

areas where strategies have been developed to exert budgetary control are adjusting the length of school day and year, eliminating study halls, combining small enrollment grades, and offering some secondary classes in alternate years. Strategies regarding equipment and facilities include contracting specialty and janitorial services, using mobile libraries and portable classrooms, leasing school buildings,

reducing vandalism and fuel consumption, and employing student help. Strategies for generating funds include the use of school stores, vocational class products, adult evening classes, wise investments, cooperative buying, cooperative application for federal aid programs, community support of school projects, and local donations.

Districts have identified some strategies as *particularly successful*. For example, some districts no longer pay mileage for employees' school-related travel. Instead, they purchase state surplus vehicles to be used for all district travel. Respondents from such districts reported that significant savings result from this strategy. Other districts use sweep accounts to keep their investment income at the highest possible return.

Table 4, on page 26, lists the full variety of strategies reported by respondents. Not all strategies listed, of course, would be equally applicable—or even acceptable—in all districts. The list simply reflects respondents' views of what works to control their budgets.

Examples of Effective Strategies Developed by Rural Districts

This section presents a few examples from rural districts to illustrate in actual context successful budgeting strategies developed by respondents. The opinions expressed constitute *the views of survey respondents*.

District A (rural district in Michigan). Administrators in this district believe the strategy that works best is the 50-percent tax collection during the summer. They estimate it saves $130,000 per year by eliminating borrowing for general operations. Additionally, close attention to investments adds a few thousand dollars in income each year. They also pay special attention to their food service program. It must run at a break-even point. They will not spend General Fund money for noneducational food programs.

District B (rural district in New York). The superintendent meets with representatives of local media (print and broadcast) to explain budget constraints and other fiscal concerns. He provides a fact sheet and a press release. The district also holds special concerts and activities on the day of voting to attempt to bring out parents who are more supportive and tend to vote yes.

District C (rural district in Texas). A state senator initiated an amendment requested by the three military districts in San Antonio, which matched their Impact Aid payments with the formula for Texas local effort. This gives the district the same state funds as those districts that tax.

District D (rural district in South Dakota). All teachers have funds to spend, and, if they can save money from their budgets, the district will look at something special for them (could even be a spring bonus). Additionally, the district belongs to a buying group, a strategy that has saved big dollars in supplies and materials, equipment, and food products.

District E (rural district in Arkansas). The district organized community groups to help them understand the perception of the school district among the patrons. Through the efforts of many area citizens, they passed a 45-percent increase in local property tax millage.

District F (another rural district in Missouri). This district had a different situation. They had a 52-percent increase in property tax rate, which was successful in 1986. Without that increase, their schools would have been "a disaster." But even with increased revenues, they developed some positive strategies. They increased student count with an all-day kindergarten program and an emphasis on student attendance. They developed a thorough and complete budget forecasting and cash flow program, and they implemented timely borrowing and investment programs.

District G (rural district in Ohio). District G sought and received a permanent improvement levy of 1.5 mills from the voters. This special levy assisted in providing funds for limited equipment purchases and building repairs. However, major building renovations and replacements are still unattainable. The district involves members of the community and staff in the development of the budget at all levels. This enables school district management to educate the community and staff regarding budgetary concerns during the "hands-on" process of budget development. The cooperative attitudes resulting from the process are a must in a small school district since it depends so much on local support, according to this respondent.

Table 4

Strategies Developed to Deal with Budget Concerns

- Use sweep accounts to keep your investment income at the highest possible return (make daily deposits into a money market account).
- Have investments mature on payroll day or on Monday instead of Friday.
- Sell tax anticipation notes annually (returns district funds 10 to 12 months early, thus allowing you to invest those funds at arbitrage advantage).
- Fifty-percent tax collection during the summer.
- Increase student count—implement all-day kindergarten and establish incentives to increase attendance at all levels.
- Increase student fees (e.g., vocational training fees and hot lunch prices).
- Implement four-day work week to reduce costs.
- Reduce school construction bond proposal costs by paying legal and bonding fees from current expense budgets.
- Finance school construction costs on short-term notes until the bond market is more favorable.
- Pass initiatives to tax patrons for capital improvements.
- Sell funding bonds to pay off script (teacher orders).
- Cooperate with other districts for specialized personnel, materials and other resources.
- Contract food service.
- Go for bond issues until one passes.
- Borrow monies up front and arbitrage.
- Implement timely borrowing and investment programs.
- Institute better investment strategies—move from small local bank to state investment pool to maximize interest earnings.
- Join or form consortia for various special education functions.
- Form consortiums of schools to get the best price in a bidding process for all expensible items, office equipment, and so forth.
- Be aggressive in energy conservation measures.
- Find out if your public utility company offers leasing arrangements for outside school lighting at a fixed monthly charge.

Table 4 (continued)

- Close down the entire school district for a period of several weeks and require all 12-month employees to take their vacations at that time.
- Use in-school suspensions and discourage expulsions and suspensions from school.
- Reduce seven-period high school days to six-period days.
- Apply for all relevant state and federal grants.
- Make full use of state and federal grants awards.
- Challenge the constitutionality of state school finance program.
- Pool efforts in insurance and investment programs.
- Computerize management functions.
- Borrow for the year at the lowest available rate and invest surplus cash at the highest available rate.
- Refinance debt.
- Pay all bills promptly where discounts are involved; however, it is good business to pay other bills as near to the deadline for payment as possible.
- Reduce the use of substitutes on the secondary school level by using staff members who have preparation periods.
- Use volunteers in listening to individual readers in the lower elementary grades.
- Share or exchange custodial and maintenance service with other agencies.
- Seek bids and comparison pricing for all purchases.
- Lobby state legislature.
- Meet with all aspects of the media to explain budget constraints.
- Develop partnerships with local organizations.
- Send board members weekly newsletter containing budget information.
- Send district households quarterly newsletter to explain budget.
- Hold board workshops and explanations on budget building and spending strategies.
- Improve public image of schools to build support for tax initiatives.
- Establish education foundation to raise revenue from outside sources.

District H (rural district in Wisconsin). Administrators here moved their investment accounts from a small local bank to the state investment pool to maximize interest earnings.

District I (rural district in Illinois). This district sold funding bonds to pay off script (teacher orders), making it an obligation of the bond fund, thus saving regular operations funds.

District J (rural district in Illinois). Here, school board members receive a superintendent's newsletter every Friday to keep them aware of concerns and developments. The district also sends a quarterly newsletter to all district households. The newsletter includes articles on local and statewide financial matters. Monthly, and sometimes more often, the district issues news releases related to financial matters and necessary expenditures (such as asbestos removal, underground tanks, safety, and other such topics). They also host school board workshops and provide explanations on budget building and spending strategies.

District K (rural district in Michigan). The district is most concerned about labor costs, and that is where they try to exert the most control. They have found the easiest area to deal with is administration (no union). In the last five years, they have eliminated two central office positions and two building positions. They have simply divided responsibilities and expected the remaining administrators to accomplish more. They are not always successful, and they have now reached the point where they cannot cut back anymore in this manner. They try to be as tough as possible in negotiations with certified and noncertified staff. This position is difficult and the results are not entirely successful. They try to control the use of noncertified employees and still accomplish all that needs to be done. They try to make all teaching material last one year longer than in the past. They have had several cooperative efforts with local industries over the past three years, which has helped in providing technology assistance. Sometimes they collaborate when they would prefer not to (for example, when they signed a contract with a communications station), but it was the only way they could get the equipment they needed. And, as it turned out, the collaboration worked out well.

District L (rural district in Michigan). Administrators in this district try to take advantage of every grant for which they may be eligible.

This strategy does not always work to their advantage, however. They received a large grant from the state to implement a program for at-risk four year olds. They jumped at the opportunity because they had a need, but when their financial printout came from the state, they had already recaptured the entire amount. They learned from that experience that you have to be very careful, even in the area of grants. The district has been successful in maximizing investments, collecting 50 percent of their taxes in the summer, eliminating the need to borrow operating funds, and buying in volume for any possible discounts.

Districts M (several rural districts in California). These districts have a different problem from most rural districts: more students than they can house. According to the county superintendent, some of these districts need to add two or three classrooms a month. Their solution has been to form a joint powers authority in which they pool money to purchase portable buildings that can be moved where they are most needed. This saves each district from having to spend needed facility funds on portable classrooms. And, since no one district owns the buildings, some students in overcrowded buildings remain unhoused on paper, meaning participating districts are still eligible for state construction funds!

CHAPTER 5

A Successful Program to Reduce Costs: The Four-Day Week

Previous chapters summarized respondents' strategies for controlling expenditures. One obvious way to control expenditures—to control costs—is especially difficult for rural, small districts. However, rural, small school districts that have reduced extracurricular activities, reduced elective academic course offerings, and even reduced staff have few remaining options to reduce costs.

This chapter, therefore, presents information about use of the four-day week to reduce costs, drawn from the professional literature rather than from respondents' observations. The four-day school week offers some unique solutions to the financial and instructional problems faced by small rural schools, though it would seem to be contrary to the intent of recent reforms that advise educators to lengthen the school day and year.[3] Many rural, small school districts have implemented a four-day week in response to declining enrollments, decreasing state aid, and rising costs of operating schools.

Districts using the four-day schedule have saved energy and transportation costs. According to Hazard (1986), school buses average about five miles per gallon of gas and reducing mileage by one-fifth can generate substantial savings, and the same principle applies to heating, cooling, and other utility costs. In addition, districts implementing this option have saved salary money for substitute teachers,

[3] Typically, the school day is lengthened in order to provide the total number of hours of instruction mandated by states in which the strategy is used. Students do not typically spend fewer hours in school than they would otherwise.

and they cut both student and teacher absenteeism by giving teachers and students an opportunity to make medical and other necessary appointments on the "fifth" day instead of during a regular school day.

Somewhat to the surprise of the districts, even though there have been significant declines in energy costs under the new school calendar, there have been no declines in students' academic achievements and interest in school. In fact, some evidence shows the four-day setup actually can improve student learning (Blankenship, 1984).

The following section provides examples from three states in which districts have successfully implemented the four-day school week.

Examples of Successful Four-day School Week Programs

Oregon. Two southern Oregon schools implemented the four-day school week on a trial basis in 1982-83 and, along with five eastern Oregon districts, continue to use this schedule today. The primary purpose of the change to a four-day week was reduction in cost. According to the enthusiastic responses of parents, staff, and students on annual surveys, the four-day week produced: (1) a 15 to 23 percent reduction in transportation costs plus additional savings in energy costs and nonteacher salaries; (2) more actual learning time due to less setup time and fewer interruptions; (3) more time for staff development, extracurricular activities, and family business; (4) less student and teacher absenteeism; (5) higher teacher morale and student enthusiasm; (6) greater parental involvement; and (7) no adverse effects on student achievement. (Reinke, 1987)

New Mexico. Ten school districts in the State of New Mexico are currently operating a four-day school week schedule. Eight of these districts are on the schedule during the entire school year; the other two during the winter months only. The main reason that New Mexico school districts chose to implement a four-day school week was to reduce operating costs, primarily through reduced energy consumption. Not only have fuel and electricity costs decreased by 10 to 25 percent, but many districts are reporting a reduction of 10 to 20 percent in transportation costs as well. Additionally, student achievement test scores have improved. The districts believe these gains are

due to an increase in non-interrupted instructional time during the four-day schedule.

Colorado. Twelve school districts in Colorado are currently operating a four-day school week schedule. Colorado patterned their four-day school week after the Cimarron Public School District in New Mexico (the "Grandfather" of the four-day school week) for basically the same reasons. The districts in Colorado are rural in nature. While these districts cover large geographic areas, they have small enrollments. All face declining enrollments and decreasing state revenues, and the primary reason for implementing the four-day schedule is to reduce energy consumption. (Summary, 1983). Like the New Mexico districts, the Colorado school districts on the four-day schedule have experienced significant reduction in fuel and electricity costs, as well as reductions in transportation costs.

The four-day school week has proven effective in rural, small school districts. Transportation costs have been reduced by 10 to 23 percent, and fuel and electricity costs have been reduced 10 to 25 percent. Student achievement test scores have been reported to have either increased or stayed the same, and both student and teacher attendance has increased.

CHAPTER 6

Recommendations Regarding the Most Important Aspects of Financial Management

This chapter begins with overall recommendations from administrators in rural, small districts about the effective financial management of such districts: the wisdom of practice. The remainder of the chapter provides recommendations under four categories that are important to ensure effective fiscal management of rural school districts. The categories are: (1) budgeting, (2) personnel management, (3) collaboration, and (4) communications. Once again, readers should note that the chapter constitutes advice from colleagues in the field, rather than from educational researchers.

Communication and the ability to assess your local community is important. You must understand local economic conditions. Remember that it is difficult for a rural board to understand the rationale for higher teacher salaries when prevailing community salaries are low due to the predominance of service type jobs and to variable farm, manufacturing, or mining economies. Be aware of the tax base and of the desires and attitudes of the voting public. Be certain that what you ask the voters to approve is really in the best interests of the students in your district.

The use of citizen committees helps establish the fact that you are fiscally responsible and do not spend money unwisely. If the school board and staff also credit this view, then the view often carries "downtown" (i.e., among local government officials and community leaders). At times you must be a risk-taker and lead the school board, staff, and community to recognize the need—and develop the financial backing—for new programs. However, during difficult economic times, adding new programs is difficult unless existing programs are

cut. Balance the costs and benefits (to both the budget and to patrons) wisely in this case.

Because many small districts combine administrative positions, it is important to have an excellent bookkeeper or business manager. Only if the district has this kind of resource can the administrator spend more time on matters that directly affect students and staff. The administrator has to be assured that the district finances are in good hands while he or she is busy with many other important responsibilities.

Good legal and financial advice must be obtained from outside sources. Make sure you have good auditors and legal firms.

As superintendent, develop a reputation of being that "tight" administrator who has the taxpayers' interests at heart. However, never neglect the vital needs of the schools. If the school board and taxpayers trust you to represent their best interests, you will do well in fiscal management.

Budgeting

- Clearly establish an educational goal or mission statement that keeps spending priorities on target. Exercise careful expenditure of district funds based upon a budgetary plan. Examine every expenditure and question those that do not appear to be equitable.

- Involve everyone in the budgeting process so that they can see where the district stands financially. The cooperation level rises dramatically when people feel fully informed and involved.

- Procedures are needed for ensuring building-level and staff input for constructing the budget, requisitioning items, and distributing supplies and equipment. Let it be known by all employees early in the budget preparation process that the budget is a meaningful document and that their input is desired before the budget is built, not afterward. When the staff plays a part in the development of the budget, let them know early which of their requests will be met and which will not. Share with them the rationale behind your decisions.

- Use any available grants to implement new programs. Be creative regarding program and schedule of the high school so that small

course enrollments do not control the budget. Plan ahead. Schedule textbook replacement, building maintenance, capital improvements, and special equipment purchases. Always have a late-in-the-year expense that can be cut or delayed if your budget has unexpected demands placed on it. Budget for the worst, budget for the best, and budget for your best-guess position.

- Use data processing to keep close tabs on expenditures, including the comparison of the percent of the year elapsed to the percent of budget expended. Make a monthly financial comparison from one year to another to help you determine whether or not the school is on budget. Make each department compare its budget with the past year. Hold building principals and department chairs accountable for their parts of the budget.

- Know your budget, especially revenue. Always underestimate revenue and over-estimate expenses. Establish spending priorities with justification for each expenditure. Make sure that the local board of education will strongly support the philosophy of a balanced budget, even if the person in charge has to make some tough decisions to make this happen.

Personnel Management

- Manage your personnel carefully; they probably represent 75 to 80 percent of your budget. Hire instructors who have multiple certifications and qualifications. Hire extremely talented people with multifaceted abilities. People in small school districts tend to find themselves wearing many different hats. A person who can wear only one hat or handle only one job responsibility tends not to exhibit the versatility needed in the long run. The same observation pertains to various types of purchases. If equipment that serves double duty can be purchased, it is a wiser investment in the long run.

Collaboration

- Share and cooperate with other districts for special programs, materials, and other resources. Establish purchasing co-ops with other small districts. Look for opportunities to share resources.

Opportunities exist on a building, district, or multidistrict basis. Implement volume purchasing and participate in consortia to provide services, in order to achieve "economies of scale" that are otherwise out of reach. Make good use of the regional services available in your area.

Communication

- Fully inform all involved school and community members about the financial needs of the district. Clear communication of the process to the board of education is imperative. Board members must understand their roles and be supportive of difficult decisions and the need to examine all options. Pros and cons of all issues must be spelled out to the board.

- Spend time educating the board, superintendent, staff, and community of serious problems multiplies.

- Appreciate an honest and dedicated office staff, and listen to what they say! The advice of the treasurer, in particular, can make or break the effectiveness of fiscal management.

- Develop good relationships with state and county agencies and keep your public informed about the school—not just the needs, but the successes and failures. The people need to know facts. When they are informed, they will make good decisions at the polls.

The preceding discussion has provided numerous recommendations from rural administrators about what their colleagues *should do* to ensure effective financial management in their districts. Not surprisingly, respondents also provided recommendations about *what not to do* (see Table 5). Rather than being a list of depressing warnings, however, the list features the fortitude and good-humored tolerance for ambiguity that successful management always shows.

Table 5

Primary Do Not Do's
Regarding Financial Management of Rural Schools

- **Do not be afraid to make decisions**—that is what you are paid to do. However, rationale and explanation of these decisions should be made available to all, especially board members.
- **Do not overuse the word "I"**—schools are made up of diverse groups and the challenges of dealing with budgetary constraints must become a team concept. All must work for solutions; this attitude makes advance discussion and input possible. Also, the attitude shows others that budgetary decisions are not top-down or made exclusively by the central office.
- **Do not practice exclusive centralized management.**
- **Do nothing you would feel uncomfortable having the whole town discuss**, because they probably will.
- **Do not spend large sums for administration or administrative facilities.**
- **Make every effort not to be in a short term borrowing situation.**
- **Do not reduce the levy by using cash on hand**; it comes back to haunt you the following year.
- **Never allow the fund equity to fall below a fixed amount** (publicly announced). This level may be a dollar amount or a percentage of total budget.
- **Do not allow the nonreserved fund to show a rapid increase.** Work with your auditor and have him help you develop ways to move surplus money into reserved accounts. This tends to keep the money out of the negotiation process.
- **Do not be caught by surprise during the audit report.** Work with your auditor and keep your board (public) informed before the fact, not after.
- **Never run a deficit budget** or your tax anticipation monies will be refused.
- **Do not deplete your cash reserve** just because it appears that the district has been carrying over too much money. What appears to have been too much can quickly become not nearly enough.

(continued)

Table 5 (continued)

- **Do not commit to ongoing expenditures funded by carryover funds.** (A prime example would be negotiating settlements with education associations funded by a carryover.)
- **Do not take things for granted**—always check sources of information at the local and state levels.
- **Do not be afraid to ask an old hand** in the business what he or she would consider doing when faced with similar circumstances.
- **Do not assume that everyone who needs to understand school finances does understand school finances.**
- **Do not hire an administrator who does not understand school finances** or one who would be unwilling to learn.
- **Do not assume that a given goal cannot be achieved** because you do not have the funds needed. Sometimes brainstorming can find a better solution at less cost.
- **Do not fail to tap the expertise of retired school people and financial people. They have much to offer.**
- **Do not overestimate income from growth in average daily attendance.**
- **Do not skip going to regional, state or national conferences** because patrons may think that it is extravagant. Going to the right conferences can benefit the district financially far more than the costs incurred.
- **Do not tell the union what the school board is planning** regarding salary matters.
- **Do not make direct comparisons to neighboring school districts** or you will become a target at a future date.
- **Do not depend upon health insurance carriers for long-term plans.** Review your company and plan each year.
- **Do not expect to receive all the revenue that seems to be due the district.**
- **Do not budget more than revenue will support.**
- **Do not assume that any function is indispensable.**
- **Do not expect the public to know or care about your budget problems.**
- **Do not over burden the bookkeeper with everyday clerical duties.** As the complexity of school finance increases, accounting records become even more valuable to the adminis-

Table 5 (continued)

trator and the board of education. Efficient management needs accurate, adequate records in order to make intelligent decisions.

- Do not underestimate the **need for a well-educated and experienced accounting person as the bookkeeper.**
- **Do not operate without accurate monthly financial reports.**
- **Do not expend or promise to expend funds that you do not currently have,** or that have only been promised by the state or federal government.
- **Do not put anything into salaries that will not be available again next year.**
- **Never neglect the budget because you feel everything is all right.**
- **Never finalize the budget without a contingency fund.**
- **Never stop looking for noneducational expenses that can be cut.**
- **Never recommend anything that you cannot pay for.** It is mandatory that you be a "fiscal conservative" in a rural, small school district. You may not have the special help to apply for grants, and you usually do not qualify for any partnership money. You must be creative.
- **Do not approve expenditures without financial support.**
- **Do not purchase without encumbering.**
- **Do not approve purchase orders or programs with unspecified costs.**
- **Do not allow anyone other than yourself to have final approval of purchases.**
- **Do not pay for service until the job is completed** to total satisfaction of specifications.
- **Do not give health benefits to part-time help.** Keep the classified staff lean.
- **Do not assume that the patrons will readily agree** with your theories of school operations. Be prepared to educate them.
- **Do not assume that those who vote against you are anti-school.**
- **Do not fail to invite the public to participate in your school.** Pay particular attention to the involvement of your critics. They

(continued)

Table 5 (continued)

often have valuable assistance to offer. Most people are willing to help when asked. Do not fail to ask.

- **Do not assume that your board agrees with you.** Find out. Reach agreement before seeking financial assistance from your voters.
- **Do not tell your board one thing and your staff something else** about the financial management of the schools.
- **Do not issue conflicting data to different media personalities.** Just as with your board, present the same information to everyone.
- **Do not be complacent.** Hard work and thorough knowledge pay off.
- **Do not be overwhelmed.** Sure, the problems are great, but solutions are always available (even if they are not always the ones we thought we wanted).

CHAPTER 7

Future Outlook for Rural, Small Districts

This chapter examines current issues in rural education to see what the future may hold for financial management in rural, small school districts. The issues selected for this purpose are (1) rural school funding, (2) programs to promote equity and quality in rural schools, (3) rural education and community development, and (4) cooperative options for rural schools.

Rural School Funding

The financial management of rural, small districts will, more than likely, always be a challenging task. While adjustments in school funding legislation are currently under consideration in various states across the country, it is unlikely that dramatic solutions will occur overnight.

However, there is hope that, over the course of time districts will experience some relief as a result of more of these efforts to correct the difficulties inherent in funding formulas. Since lawsuits regarding the constitutionality and equity of state funding formulas are, as noted in Chapter 2, pending in at least ten states, it is quite likely that some progress will be made to lessen the large disparities among per-pupil expenditures in wealthy versus poor (often rural, small) districts.

For example, in Pennsylvania a lawsuit against the state by 128 revenue-poor school districts (referred to as the Pennsylvania Association of Rural and Small Schools - or PARSS - lawsuit) is concerned about disparities of $2,000 per-pupil expenditures in some districts, compared with $6,000 per-pupil expenditures in others. The difference in spending between the poorest and wealthiest districts in the

state increased 65.6 percent between 1974 and 1988. (*Pennsylvania, Rural and Small School News*, March 1991). And Kentucky is undertaking the most massive reforms in the nation as the result of a state supreme court ruling that the totality of the state system for delivering education was inequitable, unconstitutional, and in need of complete restructuring. Site-based decision- making and the potential for more money for low income districts may be the most profound changes (*Pennsylvania, Rural and Small School News*, March 1991; see also Coe & Kannapel, 1991, for a thorough look at early effects of the changes in six rural districts in Kentucky).

Additionally, governors of some states are trying to address the equity issue in various ways. Governor Casey of Pennsylvania has called for a "fairer" system of funding education that would narrow the gap of over $5,000 per-pupil spending between the state's wealthiest and poorest school districts. Governor Casey stated that, although the strain of trying to implement drug prevention and other social programs for students has been difficult for all districts, "these burdens have fallen especially hard on the poorer school districts, many of which have the most expensive problems but the fewest resources." The governor's statement followed the filing of the previously mentioned PARSS lawsuit. While the plaintiffs have asked the state court to deem the school funding formula unconstitutional and to totally rewrite the formula, the governor's plan for narrowing the gap between wealthy and poor districts would be based on the existing school funding formula. The governor recommends changes aimed at accounting more heavily for large numbers of young children, eliminating "arbitrary, inaccurate" measures of school district wealth, and providing more funds to school districts with large numbers of poor children (*Education Week*, February 6, 1991).

Other governors are also addressing rural equity issues. Governor Schaefer of Maryland wants to finance education reform efforts by shifting resources from wealthy districts in suburban Washington to poorer urban and rural regions (*Education Week*, February 6, 1991). In Louisiana, the state department of education has put a $185.5 million price tag on a proposed school funding formula that would provide more money to schools in poor districts at the expense of wealthier ones (*Education Week*, February 6, 1991). And while Governor Weicker of Connecticut calls for a cut in state aid to nearly half of Connecticut's school districts, funding for less wealthy districts would rise (*Education Week*, February 27, 1991).

A budget proposed by Governor Weld of Massachusetts has revived interest in a finance-equity lawsuit that has been dormant for several years. Filed in the early 1980s, the lawsuit was undertaken on behalf of students in 12 school districts, who contended that they received lesser educations due to inequitable funding. The legislature responded by creating equal-education-opportunity grants targeted primarily at the low wealth districts. During the past three years, however, the funding level for the grants has not been increased. Now, the lawsuit has been reactivated because of the severe financial problems in the state (*Education Week*, February 13, 1991).

Regardless of how these school funding changes occur, by court order or by executive or legislative initiative, the end result may mean more equitable funding for small, rural schools—at least in the affected states.

Unfortunately, all rural school districts across the country are not facing such optimistic alternatives. Primarily rural states, like Mississippi, do not have the same types of options as Massachusetts or Connecticut. Therefore, politics and fiscal problems can bring all efforts at education improvement to a standstill. Mississippi's $182 million plan, Better Education for Success Tomorrow, is a prime example. The program carried a $38 million first-year cost, and included incentives and sanctions for school performance, expanded dropout prevention, adult literacy, and early childhood screening programs, as well as transportation and capital improvement provisions. However, it has remained unfunded due to a combination of factors, including (1) an election year, which tempers any talk of new spending at a time when budget cuts are being made; (2) a decline in tax revenues; and (3) infighting in the executive and legislative branches. To make matters worse, last year lawmakers cut back some traditional education funding, expecting the money would be made up in the reform plan. That loss, along with cuts triggered by revenue shortfalls, has caused many educators in the state to express concerns that "now, they cannot move forward, and, in fact, may be moving backward" (*Education Week*, February 13, 1991). But the reports of respondents, detailed above, indicate that such problems occur in many states.

Programs to Promote Improvement in Rural Schools

The policy and professional communities are showing increased interest in addressing the needs of rural school districts. Many

observers believe that this new commitment is an acknowledgement of a traditional urban bias, which has not been responsive to the needs of rural education (e.g., Stephens, 1991).

Stephens (1991) discusses many strategies used by states to promote equity and quality in rural schools. These can be summarized as follows:

- **Structural Modification**: These include (1) mandated consolidation of neighboring districts and fiscal incentives to encourage voluntary consolidation; (2) single-purpose regional schools, for example, for special education or vocational education; and (3) comprehensive regional high schools.

- **Service Delivery Approaches**: Three kinds have been in use for some time and are (1) voluntary single purpose service agencies for districts, (2) state-authorized comprehensive service centers, and (3) regional assistance from the state for instructional support. Four recent "variations" have emerged: (4) district sharing of grades or staff, (5) support for distance learning technologies, (6) fostering business partnerships, and (7) funding regional or state instructional programs.

- **Public School Choice Options**: This strategy permits students to transfer out of their district and was first supported in several states by rural parents seeking curriculum enhancement for their children.

- **Administrative Tactics**: These are used in a limited number of states and are devoted to promoting rural interests. They include establishing rural education task forces, creating a coordinating unit in the state education office, and including education on the state's rural development agendas.

- **Revenue Enhancement**: A number of strategies have been used to enhance revenue. These include (1) weighted student enrollment factors, (2) adjustment for local effort as well as local ability (particularly as such measures reflect income rather than property wealth), (3) categorical or flat-grant aid for staff recruitment and capital outlay, (4) regional equalization tax to support core programs, and (5) full-state funding.

More information about federal and private efforts to assist rural education will appear in the forthcoming publication, *The Condition of Education in Rural, Small Schools*, planned for release in Fall 1991 by the U.S. Department of Education's Office of Educational Research and Improvement.

Rural Education and Community Development

Communities and policymakers have begun to address a number of issues that relate to both education and community development (Raftery & Mulkey, 1991). These include:

- promoting equity in rural education,
- reducing illiteracy in rural America,
- targeting rural community job training, and
- encouraging rural leadership development.

Many attempts to link education and rural development are taking place throughout the country (e.g., Raftery & Mulkey, 1991; Sher, 1988; Stephens, 1991; Summers, Bloomquist, Hirschl, & Shaeffer, 1988). Examples include:

- The Cooperative Extension Service, together with the W.K. Kellogg Foundation, is supporting rural leadership programs around the country through nine land grant universities. College-age rural youth are included in some of these programs to encourage them to return and actively participate in their communities after graduation.
- The Appalachia Educational Laboratory used a portion of its funds from the U.S. Department of Education's rural initiative to pilot a community development approach to school improvement in four sites.
- A number of school districts are specifically training students for employment in local factories or businesses. Others have introduced courses on entrepreneurship in the high school curriculum.

Although such initiatives are promising, Raftery (1991) warns that these efforts are not yet widespread. In her view, rural schools and communities, assisted by outside agencies like the Cooperative Extensive service, must work together if the exceptions are to become the norm.

Even though policymakers and communities may want to see such efforts become more widespread, there are some very difficult obstacles to overcome. The primary problem is poverty. The growth of rural poverty in the last decade is discouraging redevelopment efforts in many communities. Observers note that because rural poverty is dispersed in places considered remote by most people, it is largely invisible, in contrast to the "visible" poverty that characterizes large cities. Poverty compounded as poor communities is saddled with poor schools as a result of taxation patterns. These observers warn that only concerted effort can help overcome such entrenched difficulties (e.g., Raftery & Mulkey, 1991).

Cooperative Options for Rural Schools

One of the primary questions faced by rural school districts today is, "Do we consolidate, cooperate, or collaborate?" Consolidation, which has historically been an emotional and controversial issue, remains so today, even in states as diverse as New York, Alabama, Iowa, and California. State officials currently prefer to use the words "reorganization" or "restructuring" rather than consolidation.

Since 1989, at least four states have passed legislation to encourage school district reorganization. Holmes (1991) reports that Oklahoma, Oregon, Georgia, and North Dakota provide financial incentives for constructing new facilities, planning grants, and funding new positions, as well as supplemental per-pupil aid. In some states, like Oregon, the issue of consolidation is so controversial, however, that it is doubtful it will ever be mandated by the legislature, especially when some 300 taxpayers speak against consolidation, while only 150 taxpayers favor it at public hearings (Holmes, 1990).

Since most rural, small school districts are hesitant to consolidate, new methods of collaboration are emerging. For instance, in Minnesota, Gonvich and Clearbrook districts combine interscholastic athletic programs between districts and share vocational, agricultural, and college preparatory programs. According to Holmes (1990), such cooperative arrangements resulted in 1988 in the agreement to

share a superintendent, but to retain distinct boards of education. Each community has its own elementary school, but sends seventh- and eighth-grade students to Gonvich and high school students to Clearbrook. These arrangements occurred despite insistent claims by the community residents that the two districts would never be able to cooperate.

Rural districts across the country have found the most common areas of cooperation are special education, vocational education, and purchasing. However, interscholastic athletics is becoming an increasingly popular cooperative interest. The Wisconsin Interscholastic Athletic Association reports 127 cooperative agreements between neighboring districts for 1990-91 (including one with an Illinois district and three with Minnesota districts), and the state athletic association in Iowa reports 217 shared interscholastic programs (Holmes, 1990).

Collaboration is sometimes the first step toward consolidation. For example, school districts in Iowa are in the midst of a number of cooperative arrangements that are expected to result in consolidation by 1995. But this is not always the case. Sometimes collaboration is just one means to extend limited resources, access successful programs, and overcome the isolation often inherent in working in a rural location (Holmes, 1990).

Technology is a good example of this type of collaboration and, in fact, technology is becoming an increasingly popular cooperative interest. Telecommunication provides an opportunity to link educators within a state, as well as across the states. Although the high cost of technology has deterred many rural, small school districts from implementing technology programs, the use of cooperatives may be a solution for some. For example, the Maine Computer Consortium (a group of 115 districts) is a cooperative that helped school districts get on the technological fast track (Holmes, 1990). In addition to offering bulk purchasing power, the consortium has a strong network of computer coordinators who provide training and support. The North Central Regional Education Laboratory cites telephone conferencing, computer bulletin boards, and two-way microwave television as primary factors in the success of its Wisconsin Rural Reading Improvement Project, in which 17 school districts, ranging in size from 230 to 900 students, participated (Holmes, 1990).

Regional Service Agencies

Regional service agencies are formal, state-funded entities that

administer cooperation among districts. They serve as brokers and providers of services for local districts and exist statewide in more than half the states. They are currently expanding their services in response to emerging needs.

Stephens (1990) claims that the regional service center will necessarily play an important part in education as schools work toward the national education goals established by the president and the governors of the various states. Stephens also predicts greater use of regional service centers as more states face lawsuits challenging the equity of their state funding formulas. For example, he refers to Kentucky, where one of the solutions for correcting statewide funding inequities is to organize state-funded regional centers for staff development. Stephens predicts that nine other largely rural states (Arizona, Kansas, Maine, Missouri, Montana, North Dakota, South Dakota, Utah, and Tennessee) will organize regional service centers in the 1990s.

Summary

Despite the evident challenges, the future outlook for rural education, generally, is more optimistic than it has been in many years. The renewed interest in and concern for rural schools by policymakers is encouraging. Advocates of rural education should take advantage of policymakers' current interest in rural issues and follow through to make certain that some of the concerns are resolved, not simply addressed by temporary measures.

All rural districts should monitor the pending school finance lawsuits and use what they learn to influence their own state legislatures as comparable issues come to the fore. Finally, rural school administrators should investigate the feasibility of the cooperative options presented in this chapter.

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Appendices

APPENDIX A

Brief Annotated Bibliography on Budgeting

Boyles, L. (1984, October). *Planning: Its relationship to fiscal allocations in budgeting for a school district.* Paper presented at the annual meeting of the International Society on Educational Planning. (ERIC Document Reproduction Service No. ED 257 174)

Evidence exists indicating that significant planning for elementary and secondary education is not common. Recently, however, educators have placed more emphasis on short-range and long-range planning as they have become more aware of the benefits. The areas receiving attention are the increasing size of educational institutions, the expansion of educational responsibilities, changes in educational aspirations, increases in educational costs, the civil rights movement, and rapid technological change. Budgeting is the controlling segment of any planning system. This paper presents 13 principles that form a foundation for effective planning and budgeting systems. To ensure that those involved in planning are in agreement on the terms used, a terminology list with definitions of all terms is also provided. Included with the paper are two attachments—one on basic language use for decisionmaking, the other a basic program development model.

Briggs, G., & Lawton, S. (1989, March). *Efficiency, effectiveness, and the decentralization of local school systems.* Paper presented at the annual meeting of the Education Finance Association, San Antonio, TX. (ERIC Document Reproduction Service No. ED 307 659)

This paper explores some definitions of school-based budgeting and other forms of decentralization, attempts to determine the extent of their adoption, develops some indications of the results of decentralization, and suggests further directions for research. The paper reviews 14 articles published between 1980-88, and it ad-

dresses the following questions: (1) how often decentralization involving changes in procedures for allocating resources is mentioned in the literature as a possible response to demand for change in educational systems; (2) the nature of the demands for changes in school system organization; (3) whether decentralization reported in the literature shifts resource allocation procedures toward the school level; and (4) whether or not decentralization produces improvements in efficiency, effectiveness, and accountability. Decentralization appears to be a positive innovation for addressing the demands for organizational change in school systems.

Holly, W. (1987). *Developing, managing, and gaining public support for the school district budget*. Eugene, OR: Oregon School Study Council. (ERIC Document Reproduction Service No. ED 278 174)

This bulletin focuses on four aspects of budget development and management in local school districts. Chapter 1 describes the general budget development process, highlighting variations some Oregon districts have found useful. Chapter 2 discusses the essential components of sound budget management, including selecting and training qualified personnel, organizing and testing the business system, maintaining a suitable cash reserve, and decentralizing the district budgeting process. Chapter 3 covers cost control in the areas of salaries, insurance, purchasing, inventory, food services, and cocurricular activities. Chapter 4 describes tools that local districts have used effectively to encourage public support, with special emphasis on the use of citizen advisory committees. The bulletin concludes that the two primary factors in successful budget management are a dedicated, professional staff and a proud and involved community. References, a list of school officials interviewed for the bulletin, and an outline of the competencies recommended for school business officials by the Oregon Association of School Officials supplement the report.

Honeyman, D., & Jensen, R. (1988). School-site budgeting. *School Business Affairs, 54*(2), 12-14.

School-site budgeting puts the burden of responsibility directly on the local school and allows for more public involvement; however, it increases responsibilities and demands on time for administrators and teachers.

Hughes, M. (Ed.). (1990). *Journal of Education Finance, 16*(2), 1-290. (Special Issue on Fiscal Policies for Rural Schools)

This special issue contains nine articles by experts in rural school finance: Kern Alexander ("Rural Education: Institutionalization of Disadvantage"), Richard G. Salmon ("State School Finance Programs and Their Influence on Rural Schools and School Districts"), R. Craig Wood and Patricia Cahape ("Demographic Shifts and State Fiscal Capacities Affecting Public Elementary and Secondary Education in the United States and the AEL Region"), Deborah Verstegen ("Efficiency and Economies-of-Scale Revisited: Implications for Financing Rural School Districts"), Gerald R. Bass ("Isolation/Sparsity"), David C. Thompson ("Consolidation of Rural Schools: Reform or Relapse?"), M. David Alexander ("Public School Transportation: Rural Schools"), David S. Honeyman ("School Facilities and State Mechanisms That Support School Construction"), David H. Monk, ("Educational Costs and Small Rural Schools"), and E. Robert Stephens ("Summary Remarks: Some Reflections on Fiscal Policies for Rural Schools").[4]

Kehoe, E. (1986). Educational budget preparation: Fiscal and political considerations. In R. Craig Wood (Ed.), *Principles of school business management* (Chapter 6). Reston, VA: Association of School Business Officials International. (ERIC Document Reproduction Service No. ED 282 287)

This chapter analyzes the types of budget preparation used in school districts across the United States. The discussion presents four reasons that the choice of an appropriate budget method is an important decision for a district. The chapter begins with the premise that the budgetary process is inherently political, and proceeds from the position that some budgeting methods may provide more useful political information than others. The relative utility of budgeting methods (given different community characteristics) is also considered, and the influence of changing political and technical factors on districts' choices of appropriate budgeting methods is examined. The chapter begins with a review of historical trends influencing budgeting since before the turn of the cen-

[4]Free copies of this special issue are available while supplies last; just contact AEL's Rural, Small Schools program at 1-800/624-9120.

tury. It then reviews seven characteristics of budgeting systems that can affect participation in resource allocation. Political, economic, and demographic influences are considered next. The discussion then considers the components of an ideal budget. Factors to consider when choosing a budgeting framework are analyzed, including aspects of function-object budgeting and decentralized budget structures. The chapter concludes with descriptions of school-site, program, and zero-based budgeting.

APPENDIX B

Brief Annotated Bibliography of General Rural Education Sources

The volume of literature on rural education is quite substantial. For example, over 15,000 articles and documents in the ERIC database are related to rural issues, and nearly 6,000 are specifically indexed with the term "rural education."

The resources listed here were chosen by the author for their particular relevance to the critical issues considered in the various chapters of this handbook. Obviously, this brief list cannot do justice to the broad sweep of the available literature.

For that reason, staff of the ERIC Clearinghouse on Rural Education and Small Schools (ERIC/CRESS) encourage readers of the handbook to contact the Clearinghouse for *free, custom searches* of the ERIC database on topics of special concern to them (1-800/624-9120). Just ask for "User Services."

American Council on Rural Special Education. (1986). *Models for serving rural students in the least restrictive environment*. Bellingham, WA: Author. (ERIC Document Reproduction Service No. ED 313 205)

Progress has been made in serving rural students with low-incidence handicaps after the implementation of Public Law 94-142, yet research indicates that this category of students is still the most difficult population to serve. Hence, designing services to provide instruction in the least restrictive environment (LRE) is crucial for improving such programs. Traditional models of service delivery to handicapped students are not appropriate for rural school systems because many presumed conditions for those models do not exist in rural settings. The diversity of rural communities requires the planner to consider multiple factors affecting LRE services. These factors are interrelated and their combinations

should be stressed in planning services. Factors that cannot be controlled by the model designer are called "givens," such as population, distance from students to services, ages and disabilities of students, and existing personnel. Factors that can be manipulated by the planner are termed "variables," such as staff development, transportation, and staffing for services. Planners must manipulate "variables" after recognizing the "givens". As no model is directly transportable, various successful models are described: state-funded and statewide models, local cooperative administrative models, the "resource room" model, and models that identify scarce resources, incorporate advanced technologies, or use paraprofessionals.

Daly, C., & Stern, J. (1989). *Rural education: A changing landscape.* Washington, DC: U.S. Department of Education, Office of Educational Research and Improvement. (ERIC Document Reproduction Service No. ED 312 110)

This collection features 11 papers from a national symposium on rural education. The papers are consistent in noting that while there are common elements among all schools regardless of location, rural schools operate within a unique context. Several papers address the diversity of rural locales and the challenges educators face in such locales. Other papers discuss characteristics of rural youth and schooling, rural school improvement strategies, and special problems and issues—such as the unpredictability of the rural economy and employment—in many rural areas.

Mid-continent Regional Educational Laboratory. (1986). *Redesigning rural education: Ideas for action.* Aurora, CO: Mid-continent Regional Educational Laboratory. (ERIC Document Reproduction Service No. ED 297 897)

This report provides descriptions of three Mid-continent Regional Educational Laboratory programs designed to improve elementary and secondary education in the Midwest. "Project ACCESS" helps students explore career options. "Decisions About Technology" helps increase learning opportunities through the use of computer technology. "Rural School and Community Development" helps students and community members interact to improve the economic health of the community. Clustering schools is a way

of dealing with declining money and resources. Sharing teachers, students, and equipment can be positive alternatives to reductions in staff, student enrollment, and equipment. Linkages through computer or video networks among schools successfully reach local colleges, employers, and community organizations. The report contains brief descriptions of 28 working rural programs, including rural school organizations, community study projects, and technology programs.

Monk, D. (1988). *Disparities in curricular offerings: Issues and policy alternatives for small rural schools.* Charleston, WV: Appalachia Educational Laboratory. (ERIC Document Reproduction Service No. ED 307 096)

This review explores the debate on optimal school size and discusses policy options available to states for expanding curricular offerings in small, rural schools. Policy options are divided into three broad categories: traditional, modified traditional, and nontraditional. The report explores the possibilities under each approach, documents instances where various policies have been pursued, and speculates about largely untried alternatives. The traditional approach reflects the belief that low enrollment levels contribute to inadequate program offerings. Policies falling under this rubric include mandates for small districts to consolidate into larger ones. The modified traditional approach is similar, except that it is more tolerant of locally developed means of raising enrollment levels. The nontraditional approach differs substantially from the other two because it places less emphasis on low enrollment as the primary source of difficulty for small, rural schools. Instead, problems are viewed as having more to do with using available technology, the quality and nature of teacher resources, low fiscal capacity, and features of ruralness (such as isolation) not related to size. The goal of the nontraditional approach is to address more directly the perceived causes of difficulty, rather than increasing school size. This approach calls for further development of instructional technologies, more creative uses of itinerant services, alternative scheduling (such as the four-day week), and programs designed to enhance diversity. The discussion takes the position that each of the three policies holds promise, and pays particular attention to the possibilities associated with residential schools (the traditional approach), locally designed reorganiza-

tions (the modified traditional approach), and the use of instructional technologies (the nontraditional approach).

National Rural, Small Schools Task Force. (1988). *End of the road: Rural America's poor students and poor schools* (National Rural, Small Schools Task Force Report to the Regional Educational Laboratories). Washington, DC: Council for Educational Development and Research. (ERIC Document Reproduction Service No. ED 302 355)

Across the nation, more than 2.2 million children attend 2,750 rural school districts that suffer from chronic, severe poverty. The National Rural, Small Schools Task Force provided oversight to nine Regional Educational Laboratories as they identified and developed promising educational practices for rural, small schools. One laboratory developed a database containing size, rurality, and income data for all U.S. school districts, and per pupil expenditure and student achievement data for 17 states. Analysis of the 17-state sample showed that 49 percent of its districts (2,587) were both small and rural, and that 28 percent of these (717) ranked in the bottom quarter of districts in their states on at least two of three indicators: family wealth, per-pupil expenditure, and student achievement. By adding large, rural districts and projecting analyses to all 50 states, this report estimates that 2,750 rural school districts are chronically poor. During the first year of the rural, small schools initiative, the laboratories developed or identified 39 promising practices for improving rural schools. This report contains: (1) Task Force recommendations to the laboratories; (2) data on poor, rural school districts in Arkansas, California, Connecticut, Iowa, Kentucky, Massachusetts, Mississippi, Oregon, and West Virginia; and (3) the purpose, description, key features, results, and sites of the 39 promising educational practices.

Stephens, E. (1988). *The changing context of education in a rural setting* (Occasional Paper No. 026). Charleston, WV: Appalachia Educational Laboratory. (ERIC Document Reproduction Service No. ED 307 097)

This paper examines trends that are currently reshaping rural America and rural education. It reviews the debate about how best to improve rural school districts, suggesting that what is needed is a better understanding of the changing context in which this coun-

try's public school enterprise is taking place. The paper begins by reviewing the work on several recent typologies of nonmetropolitan America that establish the nature of diversity there. This discussion is followed by consideration of the equally important concept that rural schools differ among themselves, as indicated by early results of promising research. The third section contains a synthesis of the major economic, social, and political developments impacting rural America that appear to have the most significance for school improvement programs. Next, the paper provides a synthesis of the "first round" of education reform and a review of what is being suggested as the most meaningful direction for the next generation of reform. The emphasis in both instances, however, is on the seldom considered consequences of reform on small, rural school districts, educational developments that represent potentially significant changes in the environment of rural systems. The paper concludes with a discussion of the potential policy implications of the economic, social, political, and educational trends for rural school improvement efforts. The focus here is on displaying the major dimensions of the changing context in which rural school improvement must take place. The author suggests that long-term rural school improvement should be specific to each state, in recognition of the existing policies, traditions, and diversity of state systems.

Vaughn, M., Boethel, M., Hoover, W., Lawson, G., & Torres, M. (Comps.). (1989). *Conditions and needs of rural education in the southwest region.* Austin, TX: Southwest Educational Development Laboratory. (ERIC Document Reproduction Service No. ED 320 722)

The five states of the Southwest (Arkansas, Louisiana, New Mexico, Oklahoma, and Texas) represent great diversity in economies, politics, educational settings, and resources. Despite this diversity, research indicates that rural small, schools are concerned about the same issues as education as a whole. The report presents the common needs and conditions of rural education in the southwest region; describes the specific condition of each state's rural schools, economies, legislative mandates, demographics, educational indicators, and policies; and aims to serve as a catalyst for examining the challenges facing rural educators and the communities they serve. The report presents a comprehensive picture of the condi-

tion of rural schools in the region and of unique conditions of schools within each state. It contains three major sections: (1) a regional overview, (2) a description of southwestern rural and small schools, and (3) individual state profiles for the five states. The regional overview examines demographic and economic trends, legislative mandates, public education funding, rural education conditions and needs, and strategies for addressing regional needs, including economic development. The section on the description of rural, small schools includes demographic information. Each state profile includes information on the economies affecting rural schools and discusses consolidation, the uses of technology, and education service centers.

APPENDIX C

Recent ERIC/CRESS Digests Relevant to Issues Treated in This Handbook

ERIC Digests are two-page syntheses of information about topics of current interest. Those listed below were developed by the ERIC Clearinghouse on Rural Education and Small Schools (ERIC/CRESS) and have special relevance to issues treated in this handbook. Each ERIC/CRESS Digest contains 10 references, which can be helpful for more in-depth reading.

The Digests appear in two lists: (1) those that most directly concern finance, economics, and outcomes, and (2) those that most directly concern educational programs and instruction.

Each of these Digests is available free from ERIC/CRESS, and orders can be placed using the Clearinghouse toll-free telephone number (1-800/624-9120); just ask for "ERIC/CRESS User Services." You may also order multiple copies to distribute to your colleagues.

ERIC Document Reproduction Service (EDRS) numbers are also provided, if they have been assigned. Digests with EDRS numbers may be ordered for a fee from EDRS, or copies may be made from microfiche versions of them, available in over 700 locations around the nation (principally at academic libraries).

Finance, Economics, Outcomes

Howley, C. (1989). *What is the effect of small-scale schooling on student achievement?* (EDO-RC-89-6). Charleston, WV: ERIC Clearinghouse on Rural Education and Small Schools. (ERIC Document Reproduction Service No. ED 321 966)

Recent studies suggest that small-scale schooling can have a positive influence on student achievement. This Digest compares

evidence from older studies and more recent ones, and highlights the unanswered questions. In general, recent evidence suggests that small-scale schooling may help students of low socioeconomic status achieve well.

Howley, C. (1989). *The impact of rural industries on the outcomes of schooling in rural America* (EDO-RC-89-7). Charleston, WV: ERIC Clearinghouse on Rural Education and Small Schools. (ERIC Document Reproduction Service No. ED 308 058)

Rural areas differ from urban areas, in part, because their economies tend to be specialized, and the effect that specialized rural industries have on educational outcomes is a topic of growing interest. This Digest describes rural industries, considers possible influences on educational outcomes, and then briefly examines the existing evidence for three types of rural industries. The discussion notes that rural education and rural economics are bound together in a two-way relationship that is not yet well understood.

Howley, C. (1988). *Economic support for education in rural school districts* (EDO-RC-89-4). Charleston, WV: ERIC Clearinghouse on Rural Education and Small Schools. (ERIC Document Reproduction Service No. ED 308 059)

This ERIC Digest synthesizes research characterizing the economic climate in which rural schools operate and reports on the traditional strategies used to create greater economic support for rural school districts. It is suggested that government equalization initiatives fail because their mandates impose burdens that are out of scale to their benefits. The common theme in many reports is that it is impossible for rural schools to deliver the same services in the same ways as other schools, since the economic support and community necessary to meet expectations may not exist.

Howley, C., & Huang, G. (1991). *School completion 2000: Dropout rates and their implications for meeting the national goal* (EDO-RC-91-5). Charleston, WV: ERIC Clearinghouse on Rural Education and Small Schools.

Early school-leaving is a major problem in some rural school districts.

This Digest reviews the significance of the second of the six national education goals; reviews operant definitions of "dropout"; summarizes historical trends in dropout and completion rates; examines variability by urban, suburban, and rural areas and by ethnic group; and draws implications based on recent data.

Huang, G., & Howley, C. (1991). *Recent trends in rural poverty: A summary for educators* (EDO-RC-91-1). Charleston, WV: ERIC Clearinghouse on Rural Education and Small Schools.

Rural poverty is an enduring fact of life, but recent reports indicate that rural poverty has become more entrenched in recent years. This Digest summarizes recent trends, provides a profile of the rural poor, considers views of the causes of rural poverty, and discusses the place of education in the context of rural poverty.

Hunter, J., & Howley, C. (1990). *Capital outlay: A critical concern in rural education* (EDO-RC-90-1). Charleston, WV: ERIC Clearinghouse on Rural Education and Small Schools. (ERIC Document Reproduction Service No. ED 319 583)

State and federal funding sources have, in many cases, provided substantial aid for operating expenses. These sources, however, have historically provided less assistance for school construction. This Digest addresses possible solutions to the emerging problem of capital outlay financing, with special attention to facilities in rural areas.

Inman-Freitas, D. (1991). *Efficient financial management in rural schools: Common problems and solutions from the field* (EDO-RC-91-9). Charleston, WV: ERIC Clearinghouse on Rural Education and Small Schools.

This Digest parallels, in the two-page Digest format, the information provided in this handbook. It could be useful in educating staff, board members, and community leaders.

Lutz, F. (1990). *Trends and options in the reorganization or closure of small or rural schools and districts* (EDO-RC-90-11). Charleston, WV: ERIC Clearinghouse on Rural Education and Small Schools. (ERIC Document Reproduction Service No. ED 321 964)

This Digest reports on the trends and policy options that affect the

reorganization of small, rural school districts. It considers the slowed pace of reorganization and the expanded role of state education agencies. It reports trends that influence attention to the various forms of reorganization and those that shape a continued interest in reorganization as a policy option. Finally, it considers the framework in which policy options may take shape in the future.

Verstegen, D. (1991). *Funding rural, small schools: Strategies at the statehouse* (EDO-RC-91-10). Charleston, WV: ERIC Clearinghouse on Rural Education and Small Schools.

Recent studies suggest that small schools and districts may be a more efficient investment than large schools because the learning value per unit of expenditure seems to be higher there. This Digest examines state strategies for meeting the unique financing needs of rural, small schools and districts. It considers the extent to which states actually provide additional support for such schools and districts, describes the basis on which such support is distributed, and notes the critical questions that will figure in ongoing debate about the issue.

Educational Programs and Instruction

Ferrell, S. (1990). *Adult literacy programs in rural areas* (EDO-RC-90-7). Charleston, WV: ERIC Clearinghouse on Rural Education and Small Schools. (ERIC Document Reproduction Service No. ED 321 966)

This Digest examines the stated goals of rural literacy programs and the types of programs that have been effective in the past. It considers the nature of concern for adult literacy in rural areas, the goals of rural programs, programs that address various types of adult literacy, and the conditions that support—or limit—effectiveness.

Luhman, A., & Fundis, R. (1989). *Building academically strong gifted programs in rural schools* (EDO-RC-89-3). Charleston, WV: ERIC Clearinghouse on Rural Education and Small Schools. (ERIC Document Reproduction Service No. ED 308 060)

Rural school districts face a substantial task as they try to build

strong programs for the most academically talented students, but recent reports indicate that such programs can be developed in rural schools. This Digest considers desirable academic outcomes; program concerns in the rural context; features of successful programs; and the need for collaboration, networking, and using available resources.

Miller, B. (1991). *Teaching and learning in the multigrade classroom: Student performance and instructional routines* (EDO-RC-91-6). Charleston, WV: ERIC Clearinghouse on Rural Education and Small Schools.

The multigrade classroom is an organization pattern typically a feature of small-scale schooling. The topic is getting a closer look today, and this Digest brings together recent information about multigrade classrooms. It considers the history of the multigrade classroom, effects on students' achievement and attitudes, and the requirements of teaching and learning in multigrade classrooms.

Monk, D. (1989). *Using technology to improve the curriculum of small rural schools* (EDO-RC-89-5). Charleston, WV: ERIC Clearinghouse on Rural Education and Small Schools. (ERIC Document Reproduction Service No. ED 308 056)

Developments in two types of technology have important implications for curriculum and instruction in rural schools: computerized learning programs and telecommunication technologies. This Digest reviews the related promises and drawbacks, as well as necessary steps that lead to a productive combination of the two types.

Olmstead, K. (1989). *Touching the past, enroute to the future: Cultural journalism in the curriculum of rural schools* (EDO-RC-89-11). Charleston, WV: ERIC Clearinghouse on Rural Education and Small Schools. (ERIC Document Reproduction Service No. ED 308 057)

Cultural journalism—writing that chronicles traditional skills and values in a particular place or among a particular group of people—is a term first used to describe publications inspired by *Foxfire*, a quarterly magazine produced by students in rural Georgia under the guidance of Eliot Wigginton. This Digest describes kinds of publications, the scope of cultural journalism in rural schools, and

the effects of cultural journalism.

Reck, C. (1990). *Successful instructional practices for small schools* (EDO-RC-90-12). Charleston, WV: ERIC Clearinghouse on Rural Education and Small Schools. (ERIC Document Reproduction Service No. ED 326 352)

Broader scope of teaching responsibilities and more instructional levels per classroom are the most instructionally relevant characteristics of small schools. This Digest examines ways in which teachers can develop students as learners and include collaborative experiences that build on the two prime characteristics of small schools.

Sherwood, T. (1989). *Nontraditional education in rural districts* (EDO-RC-89-8). Charleston, WV: ERIC Clearinghouse on Rural Education and Small Schools. (ERIC Document Reproduction Service No. ED 308 054)

Many observers believe that the features of modern mass education, which evolved in response to urban needs, make it difficult to address the educational needs of rural people. Nontraditional education programs have been one response in rural areas. This Digest examines the kinds of problems addressed by such programs, alternatives developed in rural communities to address the problems, the kinds of people who create nontraditional alternatives, and features of successful programs.

Strasheim, L. (1989). *Proficiency-oriented foreign language in the small high school* (EDO-RC-89-2). Charleston, WV: ERIC Clearinghouse on Rural Education and Small Schools. (ERIC Document Reproduction Service No. ED 308 061)

Comparatively little has been written about the problems of foreign language instruction in small high schools, and even less about solutions. This Digest considers national concerns, state initiatives, enrollment patterns, the dilemma of multilevel instruction, technological alternatives, and resources of state education agencies.